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| APPLICATION NO. | FILING DATE | FIRST NAMED INVENTOR | ATTORNEY DOCKET NO. | CONFIRMATION NO. |
|-----------------|-------------|----------------------|---------------------|------------------|
|-----------------|-------------|----------------------|---------------------|------------------|

09/818,483

03/27/2001

Ephraim Brian Finkelstein

HGT-201

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04/25/2006

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EXAMINER

HARBECK, TIMOTHY M

ART UNIT

PAPER NUMBER

3628

DATE MAILED: 04/25/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

|                              |                        |                     |  |
|------------------------------|------------------------|---------------------|--|
| <b>Office Action Summary</b> | <b>Application No.</b> | <b>Applicant(s)</b> |  |
|                              | 09/818,483             | FINKELSTEIN ET AL.  |  |
|                              | <b>Examiner</b>        | <b>Art Unit</b>     |  |
|                              | Timothy M. Harbeck     | 3628                |  |

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

#### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

- 1) ☒ Responsive to communication(s) filed on 27 February 2006.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

- 4) ☒ Claim(s) 1-6 and 14-36 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-6 and 14-36 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

- |   |   |
|---|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892)                        | 4) <input type="checkbox"/> Interview Summary (PTO-413)                     |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)    | Paper No(s)/Mail Date. _____  |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date _____   | 6) <input type="checkbox"/> Other: _____                                    |

## **DETAILED ACTION**

### ***Continued Examination Under 37 CFR 1.114***

A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 2/27/2006 has been entered.

### ***Double Patenting***

Claim 36 is objected to under 37 CFR 1.75 as being a substantial duplicate of claim 31. When two claims in an application are duplicates or else are so close in content that they both cover the same thing, despite a slight difference in wording, it is proper after allowing one claim to object to the other as being a substantial duplicate of the allowed claim. See MPEP § 706.03(k).

### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-5, 14-19, 21-28 and 30-36 are rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman et al (hereinafter Silverman; US PAT 5,924,082).

**Re claim 1:** Silverman discloses a negotiated matching system that “enables users to trade financial instruments and other types of instruments.” (column 3, lines 52-53) Silverman’s system comprises

- a plurality of remote terminals (column 5, lines 36-37) having a user interface comprising a display (column 4, line 16) and a keyboard (column 12, line 53) and
- a central processor (matching computer) for establishing communications between said trading terminals (column 5, lines 35-48)
- wherein each of said trading terminals presents a hierarchal list (column 10, line 37-40) of trading options and
- wherein a user at a trading terminal can select one of said trading options and communicate directly with a potential counterparty (column 4, lines 55-65).

Silverman does not explicitly disclose wherein the trading options are specifically repurchase agreements. However, repurchase agreements were old and well known in the art at the time of invention as a particular trading instrument and therefore it would have been obvious to anyone of ordinary skill at the time of invention to utilize the Silverman method to facilitate a repurchase agreement. A repurchase agreement is a type of financial instrument. Silverman explicitly discloses that an object of the present

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invention is to provide "a system which enables users to trade financial and other types of instruments based on objective criteria and subjective criteria which are not standardized and or easily quantifiable (Column 3, lines 51-55)," including "highly specified instruments (Column 13, lines 46)." Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement can therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest. These counterparties can then be placed into communication where concrete details of the financial transaction can be hashed out.

**Re claim 2:** Silverman further discloses a system wherein a user remains anonymous until he communicates with a potential counterparty (column 4, lines 10-12).

**Re claim 3-4:** Silverman further discloses a system wherein the hierarchal list is filtered according to a user-defined criteria (column 4, lines 52-55). The examiner interprets sorting and filtering to be interchangeable functions, as they are not differentiated in the disclosure.

**Re claim 5:** Silverman further discloses a system wherein the central processor (matching computer) transmits information defining counterparty trading tickets upon successful conclusion of negotiation between counterparties (column 7, lines 64-65)

**Re Claim 14:** Silverman discloses a exchange method comprising

- Providing a plurality of user terminals (Column 5, lines 36-37), each displaying a list of offers for the trading of financial instruments (Column 4, lines 50-52)

- Receiving from a user terminal a user entry portion for defining potential terms to a transaction (Column 3, lines 56-60)
- Communicating with a potential counterparty, based on an identification of a respective offer through a negotiation communications interface (Column 3, lines 61-64)

Silverman does not explicitly disclose wherein the trading options are specifically repurchase agreements. However, repurchase agreements were old and well known in the art at the time of invention as a particular type of financial trading instrument and therefore it would have been obvious to anyone of ordinary skill at the time of invention to utilize the Silverman method to facilitate a repurchase agreement. Silverman explicitly discloses that an object of the present invention is to provide "a system which enables users to trade financial and other types of instruments based on objective criteria and subjective criteria which are not standardized and or easily quantifiable (Column 3, lines 51-55)." Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement can therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest. These counterparties can then be placed into communication where concrete details of the financial transaction can be hashed out.

**Re claim 15-18:** Silverman discloses the claimed method supra but does not explicitly disclose the step further comprising a method wherein a record is communicated between at least two user terminals comprising particulars of a proposed transaction. However it was old and well known that there are a number of different

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variables that factor into simple and complex financial transactions and therefore it would be obvious to anyone of ordinary skill at the time of invention to include to the Silverman method. Silverman calls these particulars "variable parameters," (column 17, lines 15-36) which, for a repurchase agreement would include and amount, a rate, a term and an identification of collateral, margin, maturity range or any other variable that the users which to define. The purpose of the negotiated matching system is to come to terms on these types of parameters because it would be difficult to find a perfect match, based solely on quantifiable aspects.

**Re claim 19:** Silverman further comprises a method wherein the record further comprises a free form text field (Column 12, lines 6-13; also claim 34).

**Re claim 21:** Silverman further comprises a method wherein a proposed modification of the particulars is extracted from the free form text field (column 12, lines 6-13)

**Re Claim 22:** Silverman discloses the claimed method supra but does not explicitly disclose wherein the rate is a funding rate distinct from an interest rate and a yield rate associated with the collateral. However this knowledge was old and well known in the art and it would have been obvious to anyone of ordinary skill at the time of invention to include this step to the disclosure of Silverman so that each party can fully communicate their expectations and requirements to the other party. In the case of a repurchase agreement, the funding rate would represent either a firm or soft parameter as defined by the Silverman system (Column 7, lines 25-30). The user would specify that the rate is a funding rate distinct from an interest rate and a yield rate.

**Re Claim 23:** Silverman further discloses the step of identifying a potential counterparty during negotiation, and prior to consummation, of a repurchase agreement (Column 4, lines 10-12). Silverman discloses that the identity of the parties to the transaction is not revealed until just before a deal is struck, which means that this revelation occurs during negotiation.

**Re Claim 24:** Silverman discloses the claimed method but does not explicitly disclose the step wherein the repurchase agreement obligates at least one of a user and a counterparty to performance of an act after closing of the repurchase agreement, and therefore presents a risk of non-performance. It was old and well known though for there to be post agreement actions that the counterparties are required to make in order to fulfill the deal. Therefore, it would have been obvious to anyone of ordinary skill at the time of invention to include this step to the method of Silverman because there are inherently steps performed after the closing of the agreement that represent a risk. First is that each party must honor the agreed upon parameters. Many of these parameters such as future payments or maturity dates happen after the close of the agreement and therefore represent a future risk. Furthermore, Silverman explicitly discloses that many counterparties to transactions have complex credit evaluating processes in place to determine risk associated with the trading partner. This occurs after a deal has been struck however the deal is contingent on the party gaining approval, and there is therefore a risk of non-performance (Column 2, line 41-Column 3 line 11).

**Re Claim 25:** Silverman discloses the claimed method supra but does not explicitly disclose the step in which the repurchase agreement is structured to permit a



first party to effect a collateralized loan from a second party with nominal transfer of ownership of the security from the first party to the second party, wherein the repurchase agreement presents at least one of a risk of default by the first party or second party and a collateral value fluctuation risk, and wherein the communicating with the potential counterparty, through the negotiation communications interface, includes sufficient information to evaluate at least one of the default risk and the collateral value fluctuation risk, and to communicate collateralized loan terms. However these types of exposure and credit evaluations are old and well known in the art, and the system of Silverman provides for this type of complex and non-standardized exposure evaluation procedures (Column 3 line 65- Column 4 line 3) through the negotiation feature of the invention and Silverman further explicitly states the advantage of using such a system involving highly specified trading instruments (Column 13, lines 44-51)." Therefore it would have been obvious to anyone of ordinary skill to include this step to the disclosure of Silverman so that both parties fully communicate their expectations and requirements to the each other, including the any complex parameters.

**Re Claim 26:** Silverman further discloses the step of hierarchally sorting the list of offers according to at least one hierarchal sort criterion (Column 13-27). Silverman discloses that a user can sort and filter potential offers according to ranking and other transaction information. In this way, offers that are distinctly unacceptable are removed from the hierarchy.

**Re Claim 27:** Silverman further discloses the step of confirming a repurchase agreement by generating reciprocal trade tickets, for both a sale and a forward purchase transaction (Column 7, line 64-65).

**Re Claim 28:** Silverman discloses the claimed method 14 supra and while not explicitly disclosing the step of assessing a fee to at least one of the user and counterparty to a repurchase agreement based on a value of a transaction, it was well known in the art at the time of invention to charge users of a network site a fee for use of the system. It would have been obvious to someone skilled in the ordinary art at the time of invention to charge a fee for use of the Silverman system. One would be motivated to do so in order to raise capital to keep the site active and also profit from the endeavor.

**Re Claim 30:** Silverman discloses the claimed method supra but does not explicitly disclose the step wherein the record further comprises a right of substitution, margin, and collateral type. However it would have been obvious to anyone of ordinary skill at the time of invention to include this step as these types of things are old and well known common parameters in a trading environment and would therefore be reflected in either the firm or soft parameters defined and negotiated by the users (Column 7, lines 25-30).

**Re Claim 31:** Silverman discloses the claimed method 14 supra and while not explicitly disclosing the step of for at least one of an existing repurchase agreement and a party-counterparty pair, determining a net exposure in respect of one party against the other, and indicating a compensating margin transfer for the net exposure, these types

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of credit and exposure evaluations are old and well known and furthermore, Silverman does disclose that a benefit of the system is that these types of complex credit evaluation procedures are taken off line, implying that previous systems have in fact done so in an online environment (Column 5, line 8-15). Therefore it would have been obvious to include these steps to the disclosure of Silverman in order to determine the ultimate risk of transacting with a particular counterparty. In addition, the margin transfer is easily incorporated and discovered as a firm or soft parameter in the negotiation phase of the Silverman invention (Column 7, lines 25-30).

**Re Claim 32:** Silverman discloses the claimed method supra but does not explicitly disclose the step of calculating a value and a yield of a security. However it would have been obvious to anyone of ordinary skill at the time of invention to include this step as these types of things are old, well known and common parameters in a trading environment and would therefore be reflected in either the firm or soft parameters defined and negotiated by the users (Column 7, lines 25-30). The value (price) and yield of a security represent types of firm parameters disclosed by Silverman and have therefore been calculated in some manner.

**Re Claim 33:** Silverman further discloses the step wherein a displayed list of offers initially does not identify a counterparty (Column 4, lines 10-12), further comprising the step of, after receiving from the user potential repurchase agreement terms, identifying at least one during said communicating step (Column 8, lines 42-44).

**Re Claim 34:** Silverman further discloses the step of filtering the list of offers with respect to counterparty identification (Column 8, lines 28-31)

**Re Claim 35:** Silverman discloses the claimed method supra but does not explicitly disclose the step of for at least one of an existing repurchase agreement and a party-counterparty pair, determining a net exposure in respect of one party against the other. However, the calculation of a net exposure with regards to a potential financial transaction was an old and well known step in the art at the time of invention and would have been obvious to include to the Silverman disclosure as a way to ensure that one party is not subject to an unbalanced amount of risk in the transaction. It is usually in any particular parties' best interest to limit, as much as possible, their exposure with regards to a particular transaction so that losses can be minimized in the event of a default.

**Re Claim 36:** Silverman discloses a exchange method comprising

- Providing a plurality of user terminals (Column 5, lines 36-37), each displaying a list of offers for the trading of financial instruments (Column 4, lines 50-52)
- Receiving from a user terminal a user entry portion for defining potential terms to a transaction (Column 3, lines 56-60)
- Communicating between a party at a user terminal and a potential counterparty at another user terminal, based on an identification of a respective offer through a negotiation communications interface (Column 3, lines 61-64)

Silverman does not explicitly disclose wherein the trading options are specifically repurchase agreements. However, repurchase agreements were old and well known in

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the art at the time of invention as a particular type of financial trading instrument and therefore it would have been obvious to anyone of ordinary skill at the time of invention to utilize the Silverman method to facilitate a repurchase agreement. Silverman explicitly discloses that an object of the present invention is to provide "a system which enables users to trade financial and other types of instruments based on objective criteria and subjective criteria which are not standardized and or easily quantifiable (Column 3, lines 51-55)." Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement can therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest. These counterparties can then be placed into communication where concrete details of the financial transaction can be hashed out.

Furthermore Silverman does not explicitly disclose the step of for at least one of an existing repurchase agreement and a party-counterparty pair, determining a net exposure in respect of one party against the other, and indicating a compensating margin transfer for the net exposure. However, these types of credit and exposure evaluations are old and well known and furthermore, Silverman does disclose that a benefit of the system is that these types of complex credit evaluation procedures are taken off line, implying that previous systems have in fact done so in an online environment (Column 5, line 8-15). Therefore it would have been obvious to include these steps to the disclosure of Silverman in order to determine the ultimate risk of transacting with a particular counterparty. In addition, the margin transfer is easily incorporated and discovered as a firm or soft parameter in the negotiation phase of the

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Silverman invention (Column 7, lines 25-30), as a way to offset any over-exposure of one party to the other.

**Claim 6** is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Kovlak (Management Accounting. Montvale: May 1986 Vol. 67, Iss.11; pg. 52).

**Re Claim 6:** Silverman discloses the claimed system supra except for the explicit disclosure wherein the plurality of trading terminals are segregated between dealers and investors. Kovlak teaches that in a repurchase agreement investors and dealers are the two parties involved in this type of transaction. It would therefore have been obvious to someone skilled in the ordinary art for a transaction involving a repurchase agreement, that interaction between a dealer and investor be segregated. Since this is an automated transaction system, the trading terminals must then be segregated between the dealers and investors.

**Claim 20** is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Chou (U.S. Patent Number 6,035,289).

Silverman discloses the claimed system supra except wherein a bid record is compared with an ask record to selectively indicate a difference therebetween. Chou teaches an electronic trading system wherein a method for a bid-ask matching function is disclosed that compares bid records with ask records for trading of financial instruments (column 2, line 39 – column 3, line 16). It would have been obvious for

someone skilled in the ordinary art to apply the teachings of Chou to those of Silverman to form the basis for a method wherein the bid record and ask record of a repurchase agreement would be compared to discover any difference therein, and further negotiations could occur as needed.

**Claim 29** is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Lupien et al (hereinafter Lupien US Pat No 6,012,046).

Silverman discloses the claimed method supra but does not explicitly disclose the steps of defining a density profile and updating the density profile after a transaction. Lupien discloses a crossing network utilizing satisfaction density profile with price discovery features wherein a user enters orders in the form of a satisfaction density profile (see abstract). It would have been obvious to someone skilled in the ordinary art at the time of invention to include the teachings of Lupien to the disclosure of Silverman to ensure that the overall outcome of the process has maximized the mutual satisfaction of the trader.

### ***Response to Arguments***

Applicant's arguments with respect to claims 1-6 and 14-36 have been considered but are moot in view of the new ground(s) of rejection. However the examiner will address some of the arguments presented by the applicant.

The applicant has argued that since Silverman does not explicitly disclose the negotiating of repurchase agreements than it does not disclose or teach the disclosed invention. However, since repurchase agreements were well known in the art as a type of financial instrument and Silverman has stated that the goal of the system is to enable

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users to trade such financial instruments (Column 3, lines 51-54), the examiner believes that Silverman teaches this aspect. Furthermore Silverman discloses that the invention “may accommodate a range of markets from those in which highly specified instruments are traded (Column 13, line 44-48).” A repurchase agreement would certainly fall under this disclosure.

In response to the applicants arguments that a funding rate would be absolutely necessary to define a repurchase agreement and since Silverman does not explicitly teach a funding rate as defined before negotiation, the examiner points to Silverman’s disclosure that an objective of his invention is to “enable users to enter expressions of interest **with respect to the type of transaction** (Column 3, lines 56-60).” Obviously, with respect to a repurchase agreement the funding rate and security would have to be explicitly defined. Furthermore, Silverman submits that the system may accommodate highly specified instruments and therefore it is still the examiners contention that a person of ordinary skill in the art, would be both motivated and enabled by Silverman’s teaching to provide a negotiated system for matching repurchase agreement transactions.

Finally, an argument is presented with respect to the difference between the terms “ranked list” and “hierarchal list.” The applicant states that in a hierarchy “multiple objects may occupy a single level, and each level may be treated as a class. In contrast, in a ranked list, each object occupies a distinct position, and a rank position does not provide a classification of a plurality of objects occupying that position.” Examiner disagrees with both applicant’s semantics and implication that the Silverman



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reference does not disclose the use of a hierarchal list, as defined by the applicant. A rank does not imply that an entity (in this case a repurchase opportunity) occupies a distinct position, but rather it represents a position relative to other entities in an ordered group. It is very possible for multiple entities to have the same characteristics and therefore be ranked on the same level. That being said Silverman discloses the use of a hierarchal list as defined by the applicant. Referring to Column 10, lines 15-30; a user of the Silverman ranks opportunities based on the size of an entity (in this case a bank). The rankings are broken up into three broad categories and the entities are classed appropriately. In this particular case, used as a simple example, no two counterparties occupy the same rank, however if there were more counterparties than ranking classes, more than one entity would have to occupy the same rank. The Silverman system uses this feature as a quick filter in eliminating obvious non-matches.

### ***Conclusion***


Any inquiry concerning this communication or earlier communications from the examiner should be directed to Timothy M. Harbeck whose telephone number is 571-272-8123. The examiner can normally be reached on M-F 8:30-5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Souh can be reached on 571-272-6799. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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